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MONTANA TAX STUDY

PART FIVE

REVENUE AND EXPENDITURE PROJECTIONS FOR MONTANA STATE GOVERNMENT

by

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A staff paper submitted through the Tax Study Task Force to the Montana Legislative Council Subcommittee on Taxation.

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PART FIVE

REVENUE AND EXPENDITURE PROJECTIONS FOR MONTANA STATE GOVERNMENT

by W. D. Diehl

INTRODUCTION

The primary purpose of this chapter is to estimate the extent to which the revenue structure will meet the anticipated response of the legislature to the needs of government in Montana in the near future. If it is found that the present revenue structure will provide enough revenue to meet the anticipated (projected) needs, no change in the revenue structure is needed to provide additional revenue. However, if the projected revenues are less than the projected expenditures, the present revenue structure and/or expenditure structure must be changed. Changes in the revenue structure may be accomplished by increasing tax rates of existing taxes, adding new taxes or both; or by changing direct charges for government services or some combination of them. The expenditure structure can be changed by altering the quantity and/or quality of governmental services.

It is obvious that the tax structure will not remain the same. For example, in the current biennium, we have a tax rate structure on personal and corporate incomes that is temporary by statute and will revert to old rates in the fiscal year beginning July 1, 1967. Projections of expenditures are made on the basis of changes in commitments of government to various programs over time. In some instances the government commitments were determined by the available revenue and hence were subject to some variation due to available revenue at a particular time. A government commitment would be made, but if anticipated revenues to finance the full commitment are not collected, expenditures must be curtailed and services reduced.

Expenditure projections are based on historical data from 1951 through 1965. They reflect the expected response of the legislature to the needs for government services. The "expected" response in the near future of the legislature to the needs for government is that response implied by the historical data from 1951 through 1965. The expected response or projected expenditure increases do not allow for major policy changes with respect to expenditure functions that may be necessary due to unusual circumstances within an expenditure function. Hence, expenditure projections in this study do not necessarily imply increases in the quality of government services even though they show an expected increase in total dollar expenditures within an expenditure function.

For example, the projections may indicate a fairly large increase in total dollar expenditures of a particular agency. If we use expenditures per person served by that agency as a measure of the quality of the service, and the number of people served increases sharply, the expenditure per person and thus the quality of service may actually decline. We might expect this to be the case with any agency in which its major functions are closely related to the number of people it serves directly.

Both the revenue and expenditure projections in this study imply changes in the revenue and expenditure structure. Changes inherent in the projections are what might be expected from the past, i e., from 1951 through 1965. For example, the projections assume that there will be changes in the tax structure, but these

changes are merely an extension to 1970 of the changes that occurred from 1951 through 1965. The same is true for expenditures.

There is nothing mysterious or magical about projections of economic quantities into the future. There are no inherent errors involved in the projection process itself. If assumptions about growth and decline are realized, the projections will be realized. Assumptions made in projecting economic quantities are predictive assumptions. Some predictive assumptions are based on past experience whereas some are based on some foreseeable event at the time projections are made. Sometimes the past is a poor basis for predicting the future, especially if occurrences in the past are unusual and unlikely to occur in the future period of the projections.

These projections are not to be interpreted without careful examination of the assumptions. It may be that the assumptions will be altered by policy makers to mitigate a particular outcome. If this is done, the projections may serve their intended purpose.

In general, the projection procedures are as follows:

(1) Revenue and expenditure magnitudes will be related to economic magnitudes;
(2) Economic magnitudes will be projected for each year to 1970;
(3) Projections of economic magnitudes will be used to project revenue and expenditure magnitudes to 1970;
(4) Where historical relationships appear to be faulty representatives of what will occur in the future, adjustments are made in line with known program changes and revenue relationships;
(5) Through the use of Controller's records of revenues and expenditures for the General Fund and total revenue and total expenditures, General Fund revenues and expenditures are projected for the years 1966 through 1970.

U.S. AND MONTANA ECONOMIC GROWTH SINCE 1951 AND PROJECTED TO 1970

In 1951 Montana's per capita personal income was $1752 and per capita personal income for the U. S. as a whole was $1652. Estimates of per capita incomes in 1965 show that Montana's income was $2353 and that of the U. S. was $2724. Montana's per capita personal income fell from 106 percent of the U. S. to 86.4 percent of the U. S. average during the 14 year period (see Table 1). During the period from 1951 through 1965 the average annual growth rate of income per capita for the U. S. as a whole was 3.65 percent, but only 2.13 percent for Montana. The higher growth rate for the U. S. as a whole has resulted in the deterioration in Montana's per capita personal income relative to that of the U. S. as a whole. The margin by which U. S. per capita personal income has exceeded Montana's per capita personal income has increased roughly 1.5 percent per year.

Several reasons were offered in Chapter 4 for the decline in Montana's personal income per capita relative to that of the U. S. as a whole. First, during the past thirty years the increases in the labor force were all women who generally have lower incomes than do men. Second, there has probably been capital formation in the nonfarm sector too low for the available labor and hence the growth in payments

to labor have been below that in other areas of the U. S. Although we may expect that within the next five years the additions to the labor force will be more evenly distributed between women and men, we know neither to what extent nor what influence it will have on growth in personal income. We have no reason to expect capital formation in the nonfarm sector to increase sharply over the next five years. Hence, we must rely on the trends in personal income per capita shown from 1951 through 1965.

Table 1 shows Montana and U. S. per capita personal incomes and the ratio of Montana personal income to U. S. personal income per capita from 1951 through 1965.

TABLE 1

PER CAPITA PERSONAL INCOMES IN MONTANA AND THE U. S. AS A WHOLE AND THE RATIO OF MONTANA INCOMES TO THE U. S. AS A WHOLE[a]

Year	Montana Per[b] Capita Income	U. S. Per[c] Capita Income	Ratio Montana to U. S.
1951	$ 1752	$ 1652	106.05 %
1952	1754	1733	101.21
1953	1774	1804	98.34
1954	1715	1785	96.08
1955	1830	1876	97.55
1956	1916	1975	97.01
1957	1970	2045	96.33
1958	2033	2068	98.31
1959	1993	2161	92.23
1960	2018	2215	91.11
1961	1965	2264	86.79
1962	2244	2368	94.76
1963	2206	2451	90.00
1964	2223	2574	86.36
1965	2353	2724	86.38

[a] Current dollars are used in this analysis.

[b] Source: Survey of Current Business, April 1966. Population estimates were made in Chapter 4.

[c] Source: Survey of Current Business, April 1966.

Although there is a significant change in Montana's personal income relative to that of the U. S. as a whole, there is a statistically significant relationship between them.[1] In other words, Montana per capita personal income is inextricably linked to U. S. per capita personal income. Because of this highly significant

1. In addition to the secular increase in both Montana and U. S. personal income per capita, changes from one year to the next over the 14 year period occur proportionately. These factors result in a high correlation between Montana and U. S. per capita personal income. The simple correlation in this case is 0.97.

statistical relationship, if we can project U. S. personal income per capita to 1970, we can project Montana personal income per capita with some degree of confidence. For the purposes of projecting Montana personal income per capita this means that any changes in economic conditions nationally which affect U. S. average income will affect Montana personal income per capita in a definite and predictable way. A statistical analysis of Montana and U. S. per capita personal incomes showed that if U. S. per capita income increases 10 percent, we may expect that Montana per capita income will increase about 6.25 percent.

Since 1948 U. S. personal income per capita has grown 3.86 percent per year. Since 1960 it has grown 4.25 percent per year. From one year to the next over the period from 1948 to 1965 the growth rate has fluctuated from below 3.0 percent to above 5.0 percent. For the purposes of projecting U. S. personal income per capita, three growth rates are used here.[2] U. S. personal income per capita for the years 1966 through 1970 projected on the basis of 3.0, 4.0, and 5.0 percent per year are shown in Table 2. If U. S. personal income per capita grows 4.0 percent per year, it will be $3314 in 1970 for a growth of $481 per person in the U. S.

TABLE 2

PROJECTED PER CAPITA PERSONAL INCOME FOR THE U.S. AS A WHOLE[a]

Year	Per Capita Personal Income 3%	4%	5%
1966	2806	2833	2860
1967	2890	2946	3003
1968	2977	3064	3153
1969	3066	3187	3311
1970	3158	3314	3477

[a] The formula to get the 1966 projection for U. S. per capita income at a 4% growth rate is (1.04) x $2724 per capita in 1965.

The margin by which U. S. per capita income exceeds Montana per capita income was projected to 1970. By 1970 Montana's personal income per capita is expected to be only 79.97 percent of U. S. personal income per capita. Using the projected income of the U. S. as a whole of $3314 per capita, Montana's income will be $2650 per capita. Table 3 summarizes the projections of Montana personal income per capita from 1966 through 1970 under three U. S. per capita income growth rate assumptions.[3]

2. Alternative growth rates of U. S. income are used for the purposes of projecting three series of Montana per capita personal income.

3. These alternative estimates of Montana personal income per capita are used in making revenue and expenditure projections.

TABLE 3

PROJECTIONS OF MONTANA PERSONAL INCOME PER CAPITA FROM 1966 THROUGH 1970[a]

Year	U. S. Growth of 3%	U. S. Growth of 4%	U. S. Growth of 5%
1966	2387	2410	2433
1967	2421	2468	2515
1968	2455	2527	2600
1969	2490	2588	2689
1970	2526	2650	2781

[a] To get these incomes, multiply the projected ratio of Montana personal income per capita to U. S. personal income per capita times projected U. S. personal income per capita.

If existing relationships between Montana per capita income and U. S. per capita income continue to 1970, we may expect Montana personal income to be $2650 per capita in 1970 if U. S. per capita personal income grows at 4.0 percent. This is a growth of $297 per person in Montana from 1965 to 1970.

MONTANA TOTAL REVENUE PER CAPITA, TOTAL EXPENDITURE PER CAPITA AND TOTAL PERSONAL INCOME PER CAPITA SINCE 1951.

Historically, Montana revenue and expenditure per capita have been closely related to Montana personal income per capita (see Table 4). The correlations between Montana personal income per capita and per capita total revenue and per capita total expenditures from 1951 through 1965 are both 0.92. The reasons for the high correlations are that as people's income rise they demand more public services; and revenue sources are to some extent related to income or ability to pay.

Expenditures per capita in 1965 were $160 or 109.6 percent more than in 1951. Revenues were $163 per capita or 106.5 percent more in 1965 than they were in 1951. State-only expenditures and State-only revenues are total expenditures and total revenues minus revenues from other governments and expenditures from these revenues. State-only revenue fell from 76 to 64 percent of total revenue from 1951 to 1965, and State-only expenditures fell from 75 to 63 percent of total expenditures from 1951 to 1965. Thus, there has been roughly a 10 percent decline in the participation of the state level of government in total expenditures and revenues while total expenditures and revenues increased $160 and $163 per capita, respectively; State-only expenditures and revenues increased only $83 and $85 per capita, respectively. Thus, about half of the increased total expenditures and total revenues per capita from 1951 throuth 1965 can be attributed to State-only sources.

TABLE 4

MONTANA PER CAPITA PERSONAL INCOME, TOTAL AND STATE ONLY EXPENDITURES PER CAPITA AND TOTAL AND STATE ONLY REVENUE PER CAPITA, 1951 THROUGH 1965

Year	Montana Per Capita[a] Personal Income	State Only Revenue Per Capita[b]	Montana Total Revenue Per Capita	State Only Expenditures Per Capita[d]	Montana Total Expenditures Per Capita[c]
1951	1752	117	153	110	146
1952	1754	134	163	114	145
1953	1774	128	164	152	189
1954	1715	129	163	121	154
1955	1830	129	166	125	162
1956	1916	147	184	136	173
1957	1970	152	205	145	197
1958	2033	153	206	160	213
1959	1993	164	238	164	238
1960	2018	171	245	162	236
1961	1965	183	252	179	247
1962	2244	184	257	173	246
1963	2206	190	275	174	260
1964	2223	195	296	186	287
1965	2353	202	316	193	306

a. Source: Survey of Current Business, April 1966.

b. Total revenue minus intergovernmental revenue.

c. Source: U.S. Department of Commerce, Bureau of the Census, Compendium of State Government Finances, 1951 through 1965.

d. Total Expenditures minus intergovernmental revenue.

General Fund Revenue and Expenditure Per Capita

The General Fund consists of all moneys deposited in the State Treasury which are available to be appropriated for the purposes of defraying the general cost of State Government and which do not fall into one of the other eight funds. General costs of government are costs for those functions the legislature has not earmarked a specific revenue source to provide financing.

Historically, General Fund revenues and expenditures have made up only a fraction of total revenue and expenditures. Table 5 shows per capita General Fund revenues and expenditures from 1951 through 1965 and the percent that General Fund revenues and expenditures per capita are of State-only revenues and expenditures per capita. Since 1960 General Fund revenue per capita averaged 30.82 percent of State-only revenue per capita. The percentage fluctuated from a low of 23.43 in 1953 to 31.57 in 1963. General Fund expenditure per capita averaged 31.67 percent of State-only expenditure per capita since 1960. The percentage General Fund expenditure was of State-only expenditure fluctuated

TABLE 5

GENERAL FUND REVENUES AND EXPENDITURES PER CAPITA AND THE PERCENT GENERAL FUND REVENUES AND EXPENDITURES PER CAPITA ARE OF STATE-ONLY REVENUES AND EXPENDITURES PER CAPITA FROM 1951 THROUGH 1965

Year	General Fund Revenue Per Capita[a]	Percent of State only Revenue Per Capita	General Fund Expenditure Per Capita[a]	Percent of State only Expenditure Per Capita
1951	29	24.78	35	31.81
1952	32	23.88	36	31.57
1953	30	23.43	34	22.36
1954	32	24.80	29	23.96
1955	31	24.03	34	27.20
1956	35	23.80	37	27.20
1957	39	25.65	40	27.59
1958	44	28.75	48	30.00
1959	47	38.65	50	30.48
1960	52	30.40	55	33.95
1961	56	30.60	54	30.16
1962	57	30.97	51	29.47
1963	60	31.57	55	31.60
1964	59	30.25	57	30.64
1965	63	31.18	66	34.19

a. Source: State Budget Director.

from a low of 22.36 in 1953 to a high of 34.19 in 1965. General Fund revenue increased $34 per capita whereas expenditure per capita increased $31.

Total revenue to the State of Montana increased $163 per capita from 1951 through 1965. Thus, for each $4.79 per capita increase in total revenue, General Fund revenue increased $1 per capita from 1951 through 1965. Total expenditure of the State of Montana increased $160 per capita from 1951 through 1965. Thus, for every $5.16 increase in per capita expenditures, expenditures out of the General Fund increased $1 per capita from 1951 through 1965.

State Revenue Projections To 1970

Total revenue projections are done by projecting five major categories of revenue. The five categories are total tax revenue, intergovernmental revenue, charges and miscellaneous general revenue, liquor store revenue, and insurance trust revenue. After making projections for these five major revenue categories it was then necessary to allocate the projected revenue to detailed sources for the purpose of allocating projected revenue to the General Fund. For example, there are seven tax revenue sources that make up total tax revenue. Once projected income tax revenue is available, General Fund revenue may be projected by allocating that portion of total income tax revenue to the General Fund that is available under existing law to the General Fund.

Specifically, the revenue projections were made as follows:

(1) A projection equation was established by a statistical procedure (regression) relating per capita revenue and per capita personal income;

(2) Per capita personal income projections (Table 3) were used to project per capita revenue for the particular source in question;

(3) Population projections for the years in question were then multiplied times the per capita revenue projections to get total revenue from the particular revenue source.

Total State Tax Revenue Projections

Statistical analysis is relied upon solely for projecting total tax revenue. The past is thereby assumed to be representative of the future insofar as changes in the fiscal structure have occurred over the past fifteen years. Differences in economic growth of the past and that expected in the future are explicitly accounted for in the projections.

According to the statistical relationship found from 1951 through 1965, a 4.0 percent increase in Montana per capita personal income will result in about a 9.4 percent increase in total tax revenue per capita. Once per capita total tax revenues are projected, they are multiplied by population projections for those years to get total tax revenue. Table 6 shows total tax revenue from 1951 through 1965 and three alternative projections through 1970.

It is desirable to present projections for each source of tax revenue using all three sets of total tax revenue implied by different growth rates in U.S. personal income.

Projections of State Tax Revenue By Tax Source

Total State tax revenue projections were allocated to individual tax sources based on the percent that each tax source was of total tax revenue in 1965.[4] Table 7 shows projected total State Tax revenue and State tax revenue expected from each of the seven sources from 1966 through 1970.

Total State tax revenue is projected, using the median growth rate, to increase $33,395,000 from the 1963-1965 biennium to the 1965-1967 biennium, and $22,401,000 from the 1965-1967 biennium to 1967-1969 biennium. The major source of the expected increase is selective sales and gross receipts taxes which are expected to increase more than ten million dollars in each biennium. Individual income taxes are the next most important source contributing a little over thirteen million dollars from the 1963-1965 to the 1967-1969 biennium to the expected increase in total State tax revenue.

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4. The percentages that each of the seven tax sources made up of the total tax revenue since 1951 were relatively stable. Hence, 1965 appears to be a good representation of the importance of each source of tax revenue in the total.

TABLE 6

TOTAL TAX REVENUE FROM
1951 THROUGH 1965 AND PROJECTED THROUGH 1970[a]

Fiscal Year Ending	Total Tax Revenue[b] (000)
1951	34,771
1952	37,332
1953	37,406
1954	39,351
1955	41,581
1956	49,255
1957	52,632
1958	56,508
1959	60,396
1960	64,868
1961	68,697
1962	71,826
1963	73,861
1964	75,872
1965	79,560

	Low	Median	High
1966	86,494	91,625	96,756
1967	92,008	97,202	102,396
1968	97,760	103,024	108,288
1969	102,870	108,204	113,538
1970	108,771	114,108	119,505

a. Low, median and high projections are a result of using the three alternative Montana per capita personal income projections implied by growth rates of U.S. per capita personal income of 3.0, 4.0, and 5.0 percent, respectively.

b. Source: Compendium of State Government Finances.

TABLE 7

PROJECTED TOTAL STATE TAX REVENUE
AND STATE TAX REVENUE FROM EACH OF THE SEVEN TAX SOURCES, 1966 THROUGH 1970[a]

	Year	Total Tax Revenue	Selective Sales & Gross Receipts Taxes	License Taxes	Indiv. Income Taxes	Corp. Income Taxes	Property Taxes	Death & Gift Taxes	Severance Taxes
		(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)
	1966	86,494	38,992	11,244	18,164	6,055	6,055	2,595	3,460
	1967	92,008	41,404	11,961	19,321	6,441	6,441	2,760	3,680
Low	1968	97,760	43,992	12,709	20,530	6,843	6,843	2,933	3,910
	1969	102,870	46,292	13,373	21,603	7,201	7,201	3,086	4,115
	1970	108,771	48,947	14,140	22,842	7,614	7,614	3,263	4,351
	1966	91,625	41,231	11,911	19,241	6,414	6,414	2,749	3,665
	1967	97,202	43,741	12,636	20,412	6,804	6,804	2,916	3,888
Med.	1968	103,024	46,361	13,393	21,635	7,212	7,212	3,091	4,121
	1969	108,204	48,692	14,067	22,723	7,574	7,574	3,246	4,328
	1970	114,108	51,349	14,834	23,963	7,988	7,988	3,423	4,564
	1966	96,756	43,540	12,578	20,319	6,773	6,773	2,903	3,870
	1967	102,396	46,078	13,311	21,503	7,168	7,168	3,072	4,096
High	1968	108,288	48,730	14,077	22,740	7,580	7,580	3,249	4,331
	1969	113,538	51,092	14,760	23,843	7,948	7,948	3,406	4,542
	1970	119,505	53,777	15,536	25,096	8,365	8,365	3,585	4,780

a. In 1965 selective sales and gross receipts taxes made up 45 percent of total tax revenue, licenses made up 13 percent, individual income taxes made up 21 percent, corporate net income and property taxes each made up 7 percent, death and gift taxes made up 3 percent, and severance taxes made up 4 percent of total tax revenue.

General Fund Tax Revenue

From reports of the State Controller, the proportion of each tax source going to the General Fund was determined for 1964.[5] Projections of tax revenue by tax source going to the General Fund were then computed by multiplying the projected tax revenues from each source by the percentage going to the General Fund. Table 8 shows projected General Fund revenue from 1966 through 1970.

5. Only the very able assistance of the Budget Director, Richard F. Morris, made the separation of portions of tax revenue to the General Fund possible for this study. Responsibility for errors and exclusions rests with the author.

TABLE 8

GENERAL FUND REVENUE PROJECTED
FROM 1966 THROUGH 1970 FROM THE SEVEN TAX SOURCES

	Year	General Fund	Selective Sales and Gross Receipts Taxes	License Taxes	Indiv. Income Taxes	Corp. Income Taxes	Property Taxes	Death & Gift Taxes	Severance Taxes
		(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)
	1966	39,815	12,934	2,699	12,715	4,238	1,417	2,595	3,217
	1967	42,354	13,759	2,871	13,525	4,509	1,508	2,760	3,422
ow	1968	45,001	14,619	3,050	14,371	4,790	1,602	2,933	3,636
	1969	47,354	15,383	3,210	15,122	5,041	1,686	3,086	3,826
	1970	50,069	16,265	3,394	15,989	5,330	1,782	3,263	4,046
	1966	42,178	13,701	2,859	13,469	4,490	1,502	2,749	3,408
	1967	44,743	14,535	3,033	14,288	4,763	1,593	2,916	3,615
ed.	1968	47,423	15,406	3,214	15,144	5,048	1,688	3,091	3,832
	1969	49,807	16,180	3,376	15,906	5.302	1,773	3,246	4.024
	1970	52,526	17,063	3,560	16,774	5.592	1.870	3,423	4.244
	1966	44,538	14,468	3,019	14,223	4,741	1,586	2,903	3.598
	1967	47,135	15,312	3,195	15,052	5,018	1,678	3,072	3,808
igh	1968	49,845	16,193	3,378	15,918	5.306	1.774	3,249	4.027
	1969	52,264	16,978	3,542	16,690	5,564	1,861	3,406	4,223
	1970	55,009	17,870	3,729	17,567	5,856	1,958	3,585	4,444

General Fund tax revenue using the median growth rate in per capita personal income is expected to be $86,921,000 and $97,230,000 in the 1965-1967 biennium and 1967-1969 biennium, respectively. This is an increase of $10,309,000 of tax revenue if laws regarding earmarking continue to change until 1970 as they have since 1951, and the U.S. economy grows at a rate of about 4.0 percent per year.

Intergovernmental Revenue Projections

Revenue to the State of Montana from the Federal Government for highway construction is by far the largest source of revenue from non-state government sources. In the two years 1964 and 1965 highway moneys from the Federal Government made up about 70 percent of total intergovernmental transfers to the State of Montana.

Public welfare and education are the second and third most important sources of Federal funds, respectively. It is very difficult, if not impossible, to determine the Federal-to-State transfers for these programs over the next four or five years since in most instances even agency personnel are unable to determine the significance of recent Federal legislation for Federal-to-State payments to their agencies at this time. As a result, the past was assumed to be the best

representative of the future and again the statistical relationship was used to project total intergovernmental revenue to the State of Montana. Use of the statistical relationship assumes that there will be no basic alteration of the change in the Federal-to-State intergovernmental revenue structure.

Table 9 shows the total intergovernmental revenue to the State of Montana from 1951 through 1965 and projections from 1966 through 1970.

TABLE 9

TOTAL INTERGOVERNMENTAL REVENUE
FROM 1951 THROUGH 1965 AND PROJECTED FROM 1966 THROUGH 1970[a]

Fiscal Year Ending	Intergovernmental Revenue		
	(000)		
1951	21,572		
1952	18,903		
1953	22,458		
1954	20,710		
1955	23,316		
1956	23,701		
1957	34,161		
1958	34,428		
1959	49,376		
1960	49,929		
1961	46,747		
1962	50,694		
1963	60,232		
1964	72,033		
1965	82,390		
	Low	Median	High
1966	76,965	78,431	80,630
1967	80,878	84,588	88,298
1968	84,976	90,992	97,008
1969	88,392	96,774	105,918
1970	96,375	103,314	114,879

Since 1956, the year of inception of the interstate highway program, intergovernmental revenue to Montana has more than tripled. Revenue specifically to the highway commission jumped from $9.8 million in 1956 to $58.0 million in 1965, or an increase of $48.2 million. Out of the $58.7 million increase in intergovernmental revenue to Montana from 1956 to 1965 only $10.5 million may be attributable to services other than highways. Out of the $10.5 million increase in other than highway transfers Federal government transfers for education account for about $4 million.

a. Low, median and high projections reflect 3.0, 4.0 and 5.0 percent growth rates in U.S. per capita personal income.

Projections of Intergovernmental Revenue By Source

Projections of total intergovernmental revenue to the State of Montana were allocated according to the percentage each source made up of the total in 1965. Table 10 shows the projections of total intergovernmental revenue to the State from 1966 through 1970 from the Federal Government by function and from local governments.

TABLE 10

PROJECTIONS OF INTERGOVERNMENTAL
REVENUE TO THE STATE OF MONTANA FROM 1966 THROUGH 1970

Year	Total Intergov. Revenue (000)	Federal to State							Local to State (000)
		Public Welfare (000)	Educ. (000)	Highways (000)	Health & Hospitals (000)	Natural Resources (000)	Employ. Sec. (000)	Others (000)	
1966	76,965	6,788	6,034	52,797	1,509	2,263	2,263	3,771	1,539
1967	80,878	7,133	6,341	55,482	1,585	2,378	2,378	3,963	1,618
1968	84,976	7,495	6,662	58,293	1,666	2,498	2,498	4,164	1,699
1969	88,392	7,796	6,930	60,637	1,732	2,599	2,599	4,331	1,768
1970	96,375	8,500	7,556	66,113	1,889	2,833	2,833	4,722	1,928
1966	78,431	6,918	6,149	53,804	1,537	2,306	2,306	3,843	1,569
1967	84,588	7,461	6,632	58,027	1,658	2,487	2,487	4,145	1,692
1968	90,992	8,025	7,134	62,421	1,783	2,675	2,675	4,459	1,820
1969	96,774	8,535	7,587	66,387	1,897	2,845	2,845	4,742	1,935
1970	103,314	9,112	8,100	70,873	2,025	3,037	3,037	5,063	2,066
1966	80,630	7,112	6,321	55,312	1,580	2,371	2,371	3,951	1,613
1967	88,298	7,788	6,923	60,572	1,731	2,596	2,596	4,327	1,766
1968	97,008	8,556	7,605	66,547	1,901	2,852	2,852	4,753	1,940
1969	105,918	9,342	8,304	72,660	2,076	3,114	3,114	5,190	2,118
1970	114,879	10,132	9,007	78,807	2,252	3,377	3,377	5,629	2,298

Using the median growth rate, total intergovernmental revenue is expected to be $163,019,000 in the current 1965-1967 biennium and $187,766,000 in the 1967-1969 biennium. In the 1963-1965 biennium intergovernmental revenue was $154,432,000. Intergovernmental revenue is expected to increase $8,857,000 over the 1963-1965 biennium and $24,747,000 from the 1965-1967 biennium to the 1967-1969 biennium.

The high projections for highways are the most consistent of the three with projections made by the Highway Commission under current projections of project letting and completion between now and 1970.

None of the intergovernmental revenue accrues to the General Fund directly and therefore there is no General Fund allocation possible.

Total Charges and Miscellaneous Revenue Projections

The statistical analysis of charges and miscellaneous revenue per capita and Montana per capita personal income indicates that with a 4.0 percent increase in Montana personal income per capita we may expect a 7.6 percent increase in per capita charges and miscellaneous revenue. The use of statistical techniques in projecting charges and miscellaneous revenue assumes that there will be no significant alterations in the rate of change in the fee structures of the University System, Department of Agriculture and the Department of Lands and Investments. The changes which have occurred in the current charges structure from 1951 to 1965 are accounted for in the statistical analysis and are therefore built into the projections. Thus, changes in the current charges structure from 1966 through 1970 are assumed to be similar to those that occurred from 1951 to 1965.

Current charges in the University system make up roughly 80 percent of total current charges and about 50 percent of total current charges and miscellaneous general revenue. Current charges in the category of natural resources, which includes agriculture, forestry and parks, and some fish and game revenue, make up about 10 percent of total current charges.

Table 11 shows the total charges and miscellaneous general revenue to the State of Montana from 1951 through 1965 and projections from 1966 through 1970.

TABLE 11

TOTAL CHARGES AND MISCELLANEOUS GENERAL REVENUE TO THE STATE OF MONTANA FROM 1951 THROUGH 1965 AND PROJECTIONS FROM 1966 THROUGH 1970

Fiscal Year Ending	Total Charges and Miscellaneous General Revenue[a] (000)		
1951	8,863		
1952	15,395		
1953	11,784		
1954	12,074		
1955	11,441		
1956	14,282		
1957	13,992		
1958	14,774		
1959	15,547		
1960	16,848		
1961	17,019		
1962	18,464		
1963	22,079		
1964	24,534		
1965	25,362		
	Low	Median	High
1966	24,189	24,922	24,922
1967	25,228	25,970	26,712
1968	26,320	27,824	28,576
1969	27,432	28,956	30,480
1970	28,527	30,059	32,382

a. Source: Compendium of State Government Finances.

There were no surprising changes in total charges and miscellaneous general revenue from 1951 through 1965 except perhaps for 1952. In that year rent and royalty revenues were about twice as large as in any other year. Other than the year 1952, there has been a steady growth in revenue from this source.

Projections of Charges and Miscellaneous General Revenue by Source

There are six individual sources of charges and miscellaneous general revenue plus one residual category. The percentages that each of these sources have made of total charges and miscellaneous general revenue have been rather unstable from 1951 through 1965. Such instability makes it difficult to allocate the projected totals to each of the seven sources. Because of this difficulty, projections by source of charges and miscellaneous general revenue are not provided.

General Fund Revenue From Charges and Miscellaneous General Revenue

General Fund revenue from charges and miscellaneous general revenue was about 19 percent of total charges and miscellaneous general revenue in 1964. Table 12 shows implied General Fund revenue based on the three alternative projections of charges and miscellaneous general revenue and that portion going to the General Fund.

TABLE 12

GENERAL FUND REVENUE PROJECTIONS ACCRUING FROM
CHARGES AND MISCELLANEOUS GENERAL REVENUE FROM 1966 THROUGH 1970

Year	Low (000)	Median (000)	High (000)
1966	4,596	4,735	4,735
1967	4,793	4,934	5,075
1968	5,001	5,287	5,429
1969	5,212	5,502	5,791
1970	5,420	5,713	6,153

General Fund revenue from charges and miscellaneous general revenue is expected to increase from $9,669,000 in the 1965-1967 biennium to $10,789,000 in the 1967-1969 biennium, or an increase of $1,120,000. In the 1963-1965 biennium, General Fund revenue from this source was $9,480,000. From the 1963-1965 biennium to the 1967-1969 biennium, revenue to the General Fund from this source is expected to grow $1,309,000.

Liquor Store Revenue Projections

Liquor Store revenues in Montana consist of liquor sales revenue from the State liquor monopoly and revenue from licenses. Liquor Store revenues from 1951 through 1965 and projections through 1970 are shown in Table 13.

The statistical relationship shows that over time there was a slight decline in liquor store revenue. This is due to the fact that during the period 1953 to 1958 liquor store revenue was higher than in any other subsequent

period except for 1965. Such a situation results in projections which are essentially constant during the period 1966 through 1970. Low projections assuming the growth rate of 3.0 percent per year in per capita personal income are higher by about $2 million in 1970.

TABLE 13

LIQUOR STORE REVENUE FROM 1951 THROUGH 1965 AND
PROJECTED LIQUOR STORE REVENUE FROM 1966 THROUGH 1970

Fiscal Year Ending			Liquor Store Revenue[a] (000)
1951			16,343
1952			16,175
1953			17,580
1954			17,163
1955			17,075
1956			17,563
1957			17,825
1958			14,079
1959			16,317
1960			16,117
1961			16,323
1962			16,810
1963			17,421
1964			17,471
1965			18,355
	Low	Median	High
1966	16,126	16,126	16,126
1967	16,324	16,324	16,324
1968	16,544	15,792	15,792
1969	16,764	16,002	15,240
1970	16,191	15,420	14,649

a. Source: Compendium of State Government Finances

General Fund Revenue From Liquor Stores

Profits from activities of the State Liquor Monopoly accrue to the State General Fund. In 1964 liquor monopoly profits were about 13 percent of total liquor store revenue. Projections of General Fund revenue from 1966 through 1970 are shown in Table 14.

It is expected the General Fund revenue from liquor stores will be $4,218,000 in the 1965-1967 biennium and $4,133,000 in the 1967-1969 biennium using the median projections.

TABLE 14

GENERAL FUND REVENUE PROJECTIONS
FROM LIQUOR STORES, 1966 THROUGH 1970

Year	General Fund Revenue		
	Low	Median	High
	(000)	(000)	(000)
1966	2,096	2,096	2,096
1967	2,122	2,122	2,122
1968	2,150	2,053	2,053
1969	2,179	2,080	1,981
1970	2,105	2,005	1,904

Insurance Trust Revenue Projections

The insurance trust system in Montana consists of the Public Employee Retirement (P.E.R.S.) System, Unemployment Compensation Commission (U.C.C.), and the Workman Compensation Commission (I.A.B.). The P.E.R.S. is by far the largest of the three making up over half of the total revenue from all systems. Total revenue from all systems from 1951 through 1965 and projections through 1970 are shown in Table 15.

From 1951 through 1965 there was a steady increase in insurance trust revenue. The two components of revenue, contributions and earnings on investments, of the insurance trust system make up about 82 percent and 18 percent, respectively, of total insurance trust revenue.

Using the median revenue projections it is expected that insurance trust revenue will increase from $44,109,000 in the 1963-1965 biennium to $54,584,000 in the 1965-1967 biennium to $60,570,000 in the 1967-1969 biennium. Thus, revenue from the insurance trust system is expected to increase between $6 - 10 million per biennium.

Total and General Fund Revenue, 1951 Through 1969 on a Biennial Basis

Over the past six biennia total revenue to the State of Montana has averaged an increase of about $40 million. Using the median projection, the expected increases are around $50 million and $58 million, respectively, for the 1965-1967 and 1967-1969 biennia.

General Fund revenue has increased about $8 million per biennium over the last six biennia. According to the median projection, we might expect General Fund revenue to increase around $13 million and $11 million, respectively, in the 1965-1967 biennium and the 1967-1969 biennium.

TABLE 15

TOTAL REVENUE FROM INSURANCE TRUST SYSTEMS IN MONTANA
FROM 1951 THROUGH 1965 AND PROJECTIONS FROM 1966 THROUGH 1970

Fiscal Year Ending			Insurance Trust Revenue[a] (000)
1951			10,071
1952			11,093
1953			12,101
1954			11,378
1955			11,688
1956			12,904
1957			14,521
1958			15,521
1959			16,748
1960			17,852
1961			23,490
1962			20,321
1963			20,130
1964			21,487
1965			22,622
	Low	Median	High
1966	25,655	26,388	27,854
1967	26,712	28,196	28,938
1968	27,824	29,328	30,832
1969	28,956	31,242	33,528
1970	30,069	33,153	36,237

a. Source: Compendium of State Government Finances.

TABLE 16

TOTAL REVENUE AND GENERAL FUND REVENUE ON A BIENNIAL
BASIS FROM 1951 THROUGH 1965 AND PROJECTIONS THROUGH 1970

Biennia	Total Revenue (000)			General Fund Revenue (000)		
1951-'53	200,227			38,027		
1953-'55	206,777			39,743		
1955-'57	250,839			47,982		
1957-'59	293,694			60,257		
1959-'61	337,890			72,851		
1961-'63	371,838			81,460		
1963-'65	439,686			87,621		
	Projections					
	Low	Median	High	Low	Median	High
1965-'67	470,579	489,772	508,956	95,776	100,808	105,701
1967-'69	517,838	548,138	579,200	106,897	112,152	117,363

State Expenditure Projections to 1970

Total expenditure projections are done by projecting expenditures of eleven functional categories and adding these to get the total expenditures.[6] Program expenditures within each functional category are made by determining the proportion of the total functional expenditures made up by particular programs within the functional category.

The statistical analysis, relied on so heavily in making revenue projections, is used to project expenditures of each of the functional categories. However, some of the statistical relationships were unsatisfactory and, therefore, an alternative procedure was followed for projecting expenditures in these cases. The important assumption in projections using the statistical procedure is that changes in expenditure programs within each functional category for the period of the projections (from 1966 through 1970) will be similar to those changes that occurred from 1951 through 1965. Such expenditure projections reflect not only the demand for public services within each functional category but also the expenditure constraints imposed by available revenue. Historically, the expenditure data in each functional category reflect both need and revenue availability. The same reflection is inherent in expenditure projections by functional category from 1966 through 1970.

There are no explicit assumptions in the expenditure projections regarding the methods of financing. There is an implied assumption that expenditure levels on various categories are and will continue to be constrained by revenue availability. This does not imply that revenue sources will not be expanded and altered, but rather that there will be no major changes, more than have been heretofore made since 1951, in the revenue structure. Hence, if a particular expenditure function is financed by a particular tax source and the projected expenditures on that function exceed the projected revenue from that tax source, a deficit is implied.

General Fund expenditure for each of the eleven categories was projected by determining the proportion of total expenditures that arise out of the General Fund.[7]

Total Education Expenditure Projections

Education expenditure includes expenditures in higher education, public school equalization, miscellaneous operation and maintenance of the office of the Superintendent of Public Instruction and miscellaneous programs of that Department. Expenditures on education from 1951 through 1965 and projections from 1966 through 1970 are shown in Table 17.

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6. Examples of the functional categories are Education, Highways, Public Welfare, Health and Hospitals, Natural Resources, etc.

7. The assistance of the Budget Director is acknowledged, but responsibility rests with the author.

TABLE 17

EDUCATION EXPENDITURE SINCE 1951 AND PROJECTED TO 1970[a]

Fiscal Year Ending	Education Expenditure (000)
1951	17,428
1952	18,464
1953	25,252
1954	22,527
1955	22,094
1956	25,879
1957	27,207
1958	32,069
1959	33,478
1960	36,578
1961	42,074
1962	46,035
1963	44,476
1964	51,787
1965	58,938

	Low	Median	High
1966	58,640	60,106	61,572
1967	61,586	63,812	66,780
1968	63,920	68,432	72,192
1969	67,056	72,390	78,486
1970	70,161	77,100	84,810

a. Source: Compendium of State Government Finances.

The median projections indicate that we may expect total expenditures on education to increase from $110,725,000 in the 1963-1965 biennium to $123,918,000 in the 1965-1967 biennium to $140,822,000 in the 1967-1969 biennium. This is an increase of $13,193,000 and $16,904,000 in each biennium, respectively.

Projections of Education Expenditure by Program

From 1960 through 1965 higher education expenditures were about 51 percent, transfer expenditures were 45 percent, and other education expenditures were about 4 percent of total education expenditures.[8] Total education expenditure projections were allocated among these three sources according to the average percentage each program was of the total. Table 18 shows projected total education expenditure and education expenditure by program.

8. Higher education expenditures include operation, capital outlay and expenditure of auxiliary enterprises, such as bookstores, athletic events, etc. Transfers are payments made in support of the public school equalization program, general appropriations and common school interest and income money. Other education expenditures are for the Superintendent of Public Instruction, Board of Education, School for the Deaf and Blind, and various rehabilitation programs.

TABLE 18

PROJECTED TOTAL EDUCATION EXPENDITURE AND
EDUCATION EXPENDITURE BY PROGRAM FROM 1966 THROUGH 1970

	Year	Total (000)	Higher Education (000)	Transfer Payments (000)	Other Education (000)
	1966	58,640	29,912	26,376	2,351
	1967	61,586	31,415	27,701	2,470
Low	1968	63,920	32,606	28,751	2,563
	1969	67,056	34,205	30,162	2,689
	1970	70,161	35,789	31,558	2,813
	1966	60,106	30,660	27,036	2,410
	1967	63,812	32,551	28,703	2,559
Med.	1968	68,432	34,907	30,781	2,744
	1969	72,390	36,926	32,561	2,903
	1970	77,100	39,329	34,680	3,092
	1966	61,572	31,408	27,695	2,469
	1967	66,780	34,064	30,038	2,678
High	1968	72,192	36,825	32,472	2,895
	1969	78,486	40,036	35,303	3,147
	1970	84,810	43,262	38,148	3,401

Recall that the total education expenditure projections assume that the changes which have occurred in the education expenditure structure from 1951 through 1965 will continue from 1966 through 1970.

Higher education expenditures, using the median projection, are expected to increase about $8,622,000 between the 1965-1967 biennium and the 1967-1969 biennium. From the 1963-1965 to the 1965-1967 biennium, higher education expenditure is expected to increase $5,955,000.

Transfer payments expenditures are expected to increase from $55,739,000 in the current 1965-1967 biennium to $63,342,000 in the 1967-1969 biennium. This is a total of $7,603,000 from the current to the next biennium.

Other education expenditure is expected to increase some $678,000 from the 1965-1967 to the 1967-1969 biennium.

Education Expenditure Out of the General Fund

About 51 percent of total expenditures on education arise out of the General Fund. About 47 percent of all state-to-local payments, consisting primarily of aid to local schools, arises out of the General Fund. Expenditures on other education functions, including the School for the Deaf and Blind, Board of Education, and Superintendent of Public Instruction miscellaneous expenditures, out of the General Fund make up about 25 percent of total expenditures on other education. General Fund expenditures by program which are higher education, transfer payments to local school districts, and other education are shown in Table 19.

TABLE 19

PROJECTED GENERAL FUND EXPENDITURE FOR
EDUCATION IN TOTAL AND BY PROGRAM FROM 1966 THROUGH 1970

	Year	Total	General Fund Higher Education Expenditure (000)	General Fund Transfer Payments Expenditure (000)	General Fund Other Education Expenditure (000)
	1966	28,209	15,255	12,397	587
	1967	29,659	16,022	13,019	618
Low	1968	30,783	16,629	13,513	641
	1969	32,293	17,445	14,176	672
	1970	33,787	18,252	14,832	703
	1966	28,947	15,637	12,707	603
	1967	30,731	16,601	13,490	640
Med.	1968	32,956	17,803	14,467	686
	1969	34,862	18,832	15,304	726
	1970	37,131	20,058	16,300	773
	1966	29,652	16,018	13,017	617
	1967	32,182	17,373	14,139	670
High	1968	34,767	18,781	15,262	724
	1969	37,797	20,418	16,592	787
	1970	40,844	22,064	17,930	850

General Fund expenditure on higher education using the median projections is expected to be $32,238,000 and $36,635,000 in the 1965-1967 biennium and 1967-1969 biennium, respectively. This is an increase of $4,397,000 over the four year period.

Transfer payments expenditure out of the General Fund are expected to be $26,197,000 and $29,771,000 in the 1965-1967 biennium and 1967-1969 biennium, respectively, or an increase of $3,574,000.

Recall that expenditures per capita are related to personal income per capita for the purpose of projecting expenditures per capita by expenditure function. Projected per capita expenditures are multiplied by projected population to get total expenditure projections. Although total population growth is accounted for in the projections, the age composition of the population is not. Hence, high concentrations of people in the school age classes may imply a significant decline in expenditures per student.

Total Highway Expenditure Projections

Total highway expenditure includes expenditures for administration, maintenance, and other expenditures for current operation in addition to total outlay for highway construction including federal aid construction projected associated with the Interstate Highway System.

There are some difficulties in making projections of highway expenditures over the next 5 years. First, the three main sources of State revenue are motor fuels tax, gross vehicle weight tax, and U.S. Leases. As more highways are built and maintenance is required on additional miles of highway, these available revenues must be diverted from matching with federal funds for construction to maintenance. Hence, it becomes more and more difficult to maintain a matching capability and thereby continue receiving federal money. This is a case where revenue availability serves as a constraint on expenditures. Second, the annual expenditures from the current level to 1970 will be quite different if there is a change in the completion date for the interstate system and if there is no change in the completion date.

The major question regarding the level of annual expenditures of the State Highway Commission is whether or not state matching funds available are near state matching funds required to fulfill the completion of the interstate system.

Table 20 shows total highway expenditures from 1951 through 1965 and low, median and high projections through 1970.

TABLE 20

TOTAL HIGHWAY EXPENDITURES SINCE
1951 AND PROJECTED FROM 1966 THROUGH 1970

Fiscal Year Ending	Highway Expenditures[a] (000)		
1951	19,580		
1952	20,175		
1953	21,995		
1954	20,844		
1955	24,320		
1956	27,504		
1957	39,966		
1958	35,789		
1959	49,061		
1960	45,333		
1961	49,000		
1962	52,175		
1963	63,387		
1964	74,718		
1965	81,316		
	Low	Median	High
1966	81,363	83,562	85,761
1967	85,330	89,782	94,234
1968	88,736	97,008	103,776
1969	94,488	103,632	113,538
1970	98,688	111,024	123,360

a. Source: Compendium of State Government Finances.

From the 1959-1961 biennium to the 1963-1965 biennium total highway expenditure increased $61,701,000 or an average $10.2 million per year. From the 1963-1965 biennium to the 1967-1969 biennium median projections indicate that we might expect an increase of $44,606,000 or an average of $7.4 million per year.

Projections of Highway Expenditure By Program

There are two major program categories of highway expenditures. They are current operation, which includes maintenance, administration and all costs associated with operation of miscellaneous programs of the State Highway Commission, and capital outlay, which is expenditure for highway construction.

From 1960 through 1965 current operation and capital outlay averaged 14 percent and 86 percent of total highway expenditure, respectively. Total highway expenditure projections allocated to programs, namely current operation and capital outlay according to those percentages are shown in Table 21.

TABLE 21

PROJECTED TOTAL HIGHWAY EXPENDITURES AND PROJECTED HIGHWAY CURRENT OPERATION AND CAPITAL OUTLAY FROM 1966 THROUGH 1970

	Year	Total Expenditure (000)	Capital Outlay Expenditure (000)	Current Operation Expenditure (000)
	1966	81,363	69,972	11,391
	1967	85,330	73,384	11,946
Low	1968	88,736	76,313	12,423
	1969	94,488	81,260	13,228
	1970	98,688	84,872	13,816
	1966	83,562	71,863	11,699
	1967	89,782	77,213	12,569
Med.	1968	97,008	83,427	13,581
	1969	103,632	89,124	14,508
	1970	111,024	95,481	15,543
	1966	85,761	73,754	12,007
	1967	94,234	81,041	13,193
High	1968	103,776	89,247	14,529
	1969	113,538	97,643	15,895
	1970	123,360	106,090	17,270

Capital outlay expenditures, using the median projections, are expected to increase $11,366,000 from the 1963-1965 biennium to the 1965-1967 biennium. From the 1965-1967 biennium to the 1967-1969 biennium capital outlay expenditures are expected to increase $23,475,000 or about twice the increase between the previous two biennia.

Current operation expenditures are expected to increase $9,765,000 from the 1963-1965 biennium to the 1967-1969 biennium.

Total Public Welfare Expenditure Projections

Total public welfare expenditures by the State of Montana consist of categorical programs including old age assistance, aid to dependent children, aid to the blind and aid to the disabled. In addition to categorical programs, other public welfare consists of State Welfare Institutions expenditures, medical vendor payments, and miscellaneous other welfare services.

The statistical relationship indicates that as Montana per capita personal incomes have increased over time, per capita expenditures on public welfare have declined. There is one main reason for this decline. Over time more and more people who reach retirement age qualify for Federal and private retirement systems which pay monthly benefits too large for the recipients to qualify for public welfare in the State of Montana. The result has been to substantially reduce the number of Old Age assistance cases in the State during the last 15 years.

Because of the negative statistical relationship found to exist between per capita expenditures on public welfare and per capita personal income in Montana, we may expect higher per capita incomes to result in lower public welfare expenditure per capita. Hence, projections of welfare expenditures arising from higher levels of income will be lower than those arising from lower levels of income. Although such a situation, i.e., that welfare expenditures by the State of Montana will decline, does not appear highly likely, there is justification for using these projections. First, it is reasonable to expect that as per capita incomes increase there are fewer people who qualify for public welfare assistance, Second, if: (1) the public welfare expenditure structure does not change any more from 1966 through 1970 than it did from 1951 through 1965, (2) economic growth in the U.S. is from 3.0 to 5.0 percent, and (3) the relationship between Montana and U.S. per capita incomes remains the same, public welfare expenditures are likely to be less in 1970 than they were in 1965. Table 22 shows the projections of total welfare expenditures to 1970 in addition to expenditures from 1951 through 1965.

Total public welfare expenditures are projected to decline $148,000 from the 1965-1967 biennium to the 1967-1969 biennium. A decline of $563,000 was experienced from the 1961-1963 biennium to the 1963-1965 biennium.

Projections of Public Welfare Expenditures By Program

There are six categories of public welfare expenditure programs. These are old age assistance (OAA), aid to dependent children (ADC), aid to the blind (AB), aid to the disabled (AD), and other public assistance (OA), which are the five categorical programs. Other public welfare is the sixth program breakdown used for the purposes of projections.

Since 1951 the importance of categorical programs has declined relative to total public welfare expenditures. Other public welfare expenditures which includes the State welfare institutions has increased in importance over time. The percentage used for allocating projected total welfare expenditures to categorical programs and other welfare expenditures are 77 percent and 23 percent, respectively. Projections of public welfare expenditures by program are shown in Table 23.

TABLE 22

TOTAL PUBLIC WELFARE EXPENDITURE, 1951 THROUGH 1965, AND PROJECTED TOTAL PUBLIC WELFARE EXPENDITURE, 1966 THROUGH 1970[a]

Fiscal Year Ending	Total Public Welfare Expenditure (000)
1951	13,104
1952	12.869
1953	13.561
1954	12.935
1955	12,768
1956	12,505
1957	12,831
1958	13,118
1959	13,067
1960	13,464
1961	12,552
1962	12,377
1963	12,551
1964	12,135
1965	12,230

	Low[b]	Median[c]	High
1966	11,728	11,728	11,728
1967	11,872	11.130	11,130
1968	12,032	11,280	11,280
1969	12,192	11,430	10,668
1970	11,565	10,794	10,794

a. Source: Compendium of State Government Finances.

b. Due to the negative relationship between personal income and public welfare expenditures, low, median and high incomes correspond to high. median and low projections of public welfare expenditures, respectively, in this Table.

c. Irregular trends are due to unavoidable rounding errors.

From the 1959-1961 biennium to the 1961-1963 biennium categorical program expenditures declined a total of $2,274,000. From the 1961-1963 to the 1963-1965 biennium categorical program expenditures declined $497,000. Categorical program expenditures are expected to decline $643,000 from the 1963-1965 to the 1965-1967 biennium and $685,000 from the 1965-1967 biennium to the 1967-1969 biennium. Other public welfare expenditures are expected to decline about $327,000 from the 1963-1965 biennium to the 1967-1969 biennium.

TABLE 23

PROJECTED PUBLIC WELFARE
EXPENDITURES BY PROGRAM FROM 1966 THROUGH 1970

	Year	Total Public Welfare (000)	OAA (000)	ADC (000)	AB (000)	AD (000)	OA (000)	Total Categorical Programs (000)	Other Public Welfare (000)
	1966	11,728	4,154	2,980	181	1,174	542	9,031	2,697
	1967	11,872	4,205	3,017	183	1,188	548	9,141	2,731
w	1968	12,032	4,262	3,057	185	1,204	556	9,265	2,767
	1969	12,192	4,318	3,098	188	1,220	563	9,388	2,804
	1970	11,565	4,096	2,939	178	1,158	534	8,905	2,660
	1966	11,728	4,154	2,980	181	1,174	542	9,031	2,697
	1967	11,872	4,205	3,017	183	1,188	548	9,141	2,731
d.	1968	11,280	3,996	2,866	174	1,129	521	8,686	2,594
	1969	11,430	4,048	2,904	176	1,144	528	8,801	2,629
	1970	10,794	3,823	2,743	166	1,080	499	8,311	2,483
	1966	11,728	4,154	2,980	181	1,174	542	9,031	2,697
	1967	11,130	3,942	2,828	171	1,114	514	8,570	2,560
gh	1968	11,280	3,996	2,866	174	1,129	521	8,686	2,594
	1969	10,668	3,778	2,710	164	1,068	493	8,214	2,454
	1970	10,794	3,823	2,743	166	1,080	499	8,311	2,483

Public Welfare Expenditures Out of the General Fund

Thirty percent of the total of each categorical program payments are expenditures out of the General Fund except none of other public assistance expenditure is made out of the General Fund. Other public assistance expenditures are silicosis benefit payments and are made from the Industrial Accident Board.

Other public welfare expenditures consist of payments to counties for relief to transients, medical vendor payments, and welfare institutions consisting of the Orphans' Home, The Soldiers' Home and The Home for Senile Men and Women. There is a miscellaneous category under other public welfare which includes state administration, child welfare services, and foster home care. About 44 percent of all other public welfare expenditures are made out of the General Fund. Table 24 shows the projected General Fund expenditures on public welfare by program.

General Fund expenditures for public welfare is expected to be $7,816,000 in the 1965-1967 biennium and $7,520,000 in the 1967-1969 biennium.

TABLE 24

PROJECTED GENERAL FUND EXPENDITURES FOR
PUBLIC WELFARE BY PROGRAM FROM 1966 THROUGH 1970

	Year	General Fund Expenditures: Total Public Welfare (000)	Categorical Programs: OAA (000)	ADC (000)	AB (000)	Ad (000)	Total Categorical Programs (000)	Other Public Welfare (000)
	1966	3,884	1,246	894	54	352	2,709	1,175
	1967	3,932	1,262	905	55	356	2,742	1,190
Low	1968	3,985	1,279	917	56	361	2,780	1,205
	1969	4,037	1,295	929	56	366	2,816	1,221
	1970	3,831	1,223	882	53	347	2,672	1,159
	1966	3,884	1,246	894	54	352	2,709	1,175
	1967	3,932	1,262	905	55	356	2,742	1,190
Med.	1968	3,735	1,199	860	52	339	2,605	1,130
	1969	3,785	1,214	871	53	343	2,640	1,145
	1970	3,575	1,147	823	50	324	2,493	1,032
	1966	3,884	1,246	894	54	352	2,709	1,175
	1967	3,686	1,183	848	51	334	2,571	1,115
High	1968	3,736	1,199	860	52	339	2,606	1,130
	1969	3,533	1,133	813	49	320	2,464	1,069
	1970	3,575	1,147	823	50	324	2,493	1,082

Projected Expenditures for General Control and Financial Administration--General Government

Expenditures for general control include expenditures by the Judicial Branch of government which encompasses the Supreme Court, District Judges, the Law Library, and County Attorneys. Other general control includes expenditures by the Governor's Office, Secretary of State, Attorney General, Board of Examiners, Coordinator of Indian Affairs, the Planning Board, and the Merit System. Expenditures of the Legislature are also included under general control.

Expenditures for financial administration include expenditures for administration of the Insurance-Trust System, Treasurer, Auditor, Examiner, Commissioner of Lands, Board of Equalization, Liquor Control Board, Budget Director, Department of Administration and others.

Table 25 shows the total expenditures for general government from 1951 through 1965 and the projected expenditures from 1966 through 1970.

From the 1959-1961 biennium to the 1963-1965 biennium, general government expenditures increased from $6,730,000 to $8,214,000, or by $1,484,000. From the 1963-1965 biennium to the 1967-1969 biennium, general government expenditures are expected to increase $2,614,000 or about $1.3 million per year.

TABLE 25

TOTAL GENERAL GOVERNMENT EXPENDITURES
SINCE 1951 AND PROJECTIONS FROM 1966 THROUGH 1970

Fiscal Year Ending	General Control and Financial Administration Expenditures[a] (000)
1951	1,795
1952	1,662
1953	2,012
1954	1,736
1955	2,237
1956	2,212
1957	2,870
1958	2,793
1959	3,181
1960	3,052
1961	3,678
1962	3,339
1963	3,876
1964	3,728
1965	4,486

	Low	Median	High
1966	4,328	4,475	4.548
1967	5,128	5.350	5,499
1968	4,747	4,973	5.274
1969	5,551	5,855	6,236
1970	5,104	5,567	6,030

a. Source: Compendium of State Government Finances.

Projections of General Government Expenditures
By Program to 1970

There are four major program categories of expenditures included in general government. They are: (1) expenditures by the Judiciary, (2) expenditures for financial administration, (3) expenditures for other administration, and (4) expenditures for the legislative branch. Of the total expenditures for the first three program categories, the Judiciary, finance and administration have made up about 16 percent, 72 percent, and 12 percent, respectively, from 1960 through 1965. Projected total expenditures for these three program categories will be allocated to each of the program categories based on these percentages. Since the legislature meets only once every two years, projected expenditures thereon were treated separately.

The projected expenditures for the four program categories are shown in Table 26.

TABLE 26

PROJECTED EXPENDITURES FOR GENERAL GOVERNMENT BY PROGRAM FROM 1966 THROUGH 1970

	Year	Total General Government Expenditure (000)	General Government Expenditures For Judicial (000)	For Finance (000)	For Other Administration (000)	For Legislature (000)
	1966	4,328	688	3,001	489	150
	1967	5,128	721	3,145	513	750
Low	1968	4,757	755	3,295	537	170
	1969	5,576	790	3,449	562	775
	1970	5,124	812	3,544	578	190
	1966	4,475	712	3,107	506	150
	1967	5,350	757	3,304	539	750
Med.	1968	4,983	792	3,457	564	170
	1969	5,880	840	3,667	598	775
	1970	5,587	888	3,877	632	190
	1966	4,548	724	3,159	515	150
	1967	5,499	782	3,411	556	750
High	1968	5,284	842	3,673	599	170
	1969	6,261	903	3,941	642	775
	1970	6,050	965	4,209	686	190

Expenditures by the Judiciary are expected to increase by $386,000 from the 1963-1965 biennium to the 1967-1969 biennium. The increase expected from the 1963-1965 biennium to the 1965-1967 biennium is $223,000.

Expenditures for financial administration are expected to increase $869,000 from the 1963-1965 biennium to the 1965-1967 biennium and $713,000 from the 1965-1967 biennium to the 1967-1969 biennium.

An increase of $328,000 in expenditure is expected for other administration in State government from the 1963-1965 biennium to the 1967-1969 biennium.

General Government Expenditures Out of the General Fund

Expenditures for the Juciciary and the Legislature are financed 100 percent out of the General Fund. Financial administration expenditures arise from several sources, only about 42 percent coming from the General Fund. About 89 percent of the expenditures for other administration arises in the General Fund. Expected expenditures for general government out of the General Fund by program are shown in Table 27.

Expenditures out of the General Fund for general government are expected to be $6,010,000 in the 1965-1967 biennium and $6,624,000 in the 1967-1969 biennium

TABLE 27

PROJECTED GENERAL FUND EXPENDITURES FOR GENERAL GOVERNMENT BY PROGRAM FROM 1966 THROUGH 1970

	Year	General Government Total (000)	Projected General Fund Expenditure For Judicial (000)	For Finance (000)	For Other Administration (000)	For Legislature (000)
	1966	2,543	688	1,268	437	150
	1967	3,257	721	1,328	458	750
Low	1968	2,796	755	1,392	479	170
	1969	3,524	790	1,457	502	775
	1970	3,015	812	1,497	516	190
	1966	2,626	712	1,312	452	150
	1967	3,384	757	1,396	481	750
Med.	1968	2,926	792	1,460	504	170
	1969	3,698	840	1,549	534	775
	1970	3,280	888	1,638	564	190
	1966	2,668	724	1,334	460	150
	1967	3,469	782	1,441	496	750
High	1968	3,098	842	1,551	535	170
	1969	3,916	903	1,665	573	775
	1970	3,545	965	1,778	612	190

for a projected increase of $614,000 from one biennium to the next. In the 1963-1965 biennium, General Fund expenditures for general government were $5,023,000. The increase expected from the 1963-1965 biennium to the 1965-1967 biennium is $987,000.

Total Public Safety Expenditure Projections

The public safety category includes police protection expenditures consisting of expenditure by the Highway Patrol and other miscellaneous protective activities. Also, included in the public safety expenditure category is expenditures for correction which consists of expenditures for the State Prison, the State Industrial School, the Vocational School for Girls and expenditures for other corrective activities.

Total public safety expenditures since 1951 and projections from 1966 through 1970 using the statistical procedure are shown in Table 28.

Using the median projection we might expect that from the 1963-1965 biennium to the 1965-1967 biennium, total public safety expenditures will increase from $8,028.000 to $9,479,000 or by $1,451,000. We might also expect total public safety expenditures to increase $1,067,000 from the 1965-1967 biennium to the 1967-1969 biennium.

TABLE 28

TOTAL PUBLIC SAFETY EXPENDITURES FROM 1951
THROUGH 1965 AND PROJECTIONS FROM 1966 THROUGH 1970

Fiscal Year Ending	Total Public Safety Expenditures[a] (000)
1951	1,440
1952	1,739
1953	1,934
1954	2,090
1955	2,306
1956	2,441
1957	2,491
1958	3,233
1959	3,488
1960	3,810
1961	3,862
1962	3,208
1963	3,743
1964	3,925
1965	4,103

	Low	Median	High
1966	4,537	4,611	4,691
1967	4,704	4,868	5 023
1968	4,888	5,136	5,384
1969	5,075	5,410	5,761
1970	5,258	5,690	6,153

a. Source: Compendium of State Government Finances.

Public Safety Expenditure by Program

Of the two major programs within the public safety expenditure category, expenditures for the police protection make up about 42 percent and correction expenditures make up 58 percent. Table 29 shows projected expenditures for the two major programs making up the total of public safety expenditure.

Police protection expenditures are expected to increase $525.000 from the 1963-1965 biennium to the 1965-1967 biennium and from the 1965-1967 biennium to the 1967-1969 biennium to increase $448,000.

Correction expenditures, using the median projection are expected to increase $926,000 and $619,000, respectively, from the 1963-1965 biennium to the 1965-1967 biennium and the 1965-1967 to the 1967-1969 biennium.

TABLE 29

PUBLIC SAFETY EXPENDITURE PROJECTIONS AND
PROJECTIONS OF EXPENDITURES FOR POLICE PROTECTION AND CORRECTION

	Year	Total Public Safety Expenditures (000)	Police Protection Expenditures (000)	Correction Expenditures (000)
	1966	4,537	1,907	2,630
	1967	4,704	1,978	2,726
Low	1968	4,888	2,055	2,833
	1969	5,075	2,134	2.941
	1970	5,258	2,210	3.048
	1966	4,611	1,938	2,673
	1967	4,868	2,047	2,821
Med.	1968	5,136	2.159	2,977
	1969	5,410	2.274	3,136
	1970	5.690	2,392	3,298
	1966	4,691	1,972	2,719
	1967	5,023	2,112	2,911
High	1968	5,384	2,263	3.121
	1969	5,761	2,422	3.339
	1970	6,153	2,587	3,566

Public Safety Expenditures by Program Out of the General Fund

Expenditures out of the General Fund for public safety are about 95 percent of total expenditures for public safety. About 95 percent of the expenditures for police protection come from the General Fund while about 94 percent of the expenditures for correction come from the General Fund. Table 30 shows projected General Fund expenditures for public safety and for police protection and correction.

Total General Fund expenditures for public safety are expected to be $8,968,000 in the 1965-1967 biennium and $9,978,000 in the 1967-1969 biennium using the median projection. In the 1963-1965 biennium General Fund expenditures for public safety were $7,255,000.

TABLE 30

GENERAL FUND PUBLIC SAFETY EXPENDITURES, POLICE PROTECTION EXPENDITURES, AND CORRECTION EXPENDITURES, 1966 THROUGH 1970

	Year	Public Safety (000)	Police Protection (000)	Correction (000)
	1966	4,293	1,816	2.477
	1967	4,450	1,883	2.567
Low	1968	4,625	1,957	2,668
	1969	4,802	2,032	2.770
	1970	4,975	2,104	2.871
	1966	4,362	1,845	2,517
	1967	4,606	1,949	2.657
Med.	1968	4,860	2,056	2,804
	1969	5,118	2,165	2.953
	1970	5,383	2,277	3,106
	1966	4.439	1,878	2,561
	1967	4,753	2,011	2,742
High	1968	5,094	2,155	2,939
	1969	5,451	2,306	3,145
	1970	5,821	2,463	3,358

Natural Resources Expenditure Projections

The natural resources expenditure category consists of four main program categories. They are (1) agriculture, (2) fish and game, (3) forestry and parks, and (4) miscellaneous expenditures on natural resources including oil and soil conservation and the Water Conservation Board expenditures.

Except for 1953 and 1962, expenditures on natural resources have increased steadily since 1951 (see Table 31).

The median projection indicates that we might expect expenditures on natural resources to be $19,759,000 in the 1965-1967 biennium and $21,243,000 in the 1967-1969 biennium for an increase of $1,484,000. In the 1963-1965 biennium expenditures on natural resources were $17,930,000 or about $1.8 million less than we expect in the 1965-1967 biennium.

TABLE 31

NATURAL RESOURCES EXPENDITURES
SINCE 1951 AND PROJECTIONS TO 1970

Fiscal Year Ending	Total Natural Resources Expenditures[a] (000)		
1951	5,635		
1952	5,127		
1953	5,449		
1954	6,042		
1955	5,988		
1956	6,713		
1957	7,285		
1958	8,072		
1959	8,214		
1960	8,374		
1961	8,768		
1962	7,419		
1963	7,969		
1964	8,715		
1965	9,215		
	Low	Median	High
1966	9,610	9,705	9,793
1967	9,861	10,054	10,240
1968	10,137	10,430	10,724
1969	10,417	10,813	11,232
1970	10,694	11,203	11,742

a. Source: Compendium of State Government Finances.

Natural Resources Expenditure by Program

During the last six years agricultural expenditures have averaged about 53 percent of total natural resources expenditures. Fish and game, forestry and parks and other natural resources expenditures have made up about 30 percent. 9 percent and 8 percent, respectively, of total natural resources expenditures. Total natural resources expenditure projections were allocated among the four main program categories based on those percentages (see Table 32).

According to the median projections, agricultural expenditures are expected to be $10,393,000 and $11,174,000 in the 1965-1967 and 1967-1969 biennia, respectively. The increase expected from the 1963-1965 biennium to the 1965-1967 biennium is $699,000, and from the 1965-1967 biennium to the 1967-1969 biennium the expected increase in agricultural expenditures is $781,000.

TABLE 32

PROJECTED TOTAL NATURAL RESOURCES
EXPENDITURES BY PROGRAM FROM 1966 THROUGH 1970

	Year	Natural Resources Expenditures (000)	Agricultural Expenditures (000)	Fish & Game Expenditures (000)	Forestry and Parks Expenditures (000)	Other Natural Resources Expenditures (000)
	1966	9,610	5,055	2,842	929	784
	1967	9,861	5,187	2,916	954	805
ow	1968	10,137	5,332	2,998	980	827
	1969	10,417	5,479	3,080	1,007	850
	1970	10,694	5,625	3,162	1,034	873
	1966	9,705	5,105	2,870	938	792
	1967	10,054	5,288	2,973	972	820
ed.	1968	10,430	5,486	3,084	1,009	851
	1969	10,813	5,688	3,197	1,046	882
	1970	11,203	5,893	3,313	1,083	914
	1966	9,793	5,151	2,896	947	799
	1967	10,240	5,386	3,028	990	836
igh	1968	10,724	5,641	3,171	1,037	875
	1969	11,232	5,908	3,321	1,086	917
	1970	11,742	6,176	3,472	1,135	958

Expenditure Projections Out of the General Fund for Natural Resources and Natural Resource Program Expenditures

General Fund expenditures for agriculture are about 43 percent of total expenditures on agriculture. Only about five percent of total fish and game expenditures arise out of the General Fund and about 37 percent of total expenditures on forestry and parks are from the General Fund. Out of the total expenditures on other natural resources programs, about 99 percent arise from the General Fund.

Using these percentages of expenditures arising out of the General Fund, total General Fund expenditures on natural resources are computed (see Table 33).

General Fund expenditures on natural resources are expected to increase from $6,451,000 in the 1963-1965 biennium to $7,109,000 in the 1965-1967 biennium to $7,560,000 in the 1967-1969 biennium or about $0.5 million per biennium.

TABLE 33

PROJECTED GENERAL FUND EXPENDITURES FOR
NATURAL RESOURCES PROGRAMS FROM 1966 THROUGH 1970

	Year	Total Natural Resources (000)	General Fund Expenditures For: Agriculture (000)	Fish and Game (000)	Forestry and Parks (000)	Other Natural Resources (000)
	1966	3,457	2,195	142	344	776
	1967	3,548	2,252	146	353	797
Low	1968	3,647	2,315	150	363	819
	1969	3,748	2,379	154	373	842
	1970	3,847	2,442	158	383	864
	1966	3,492	2,217	144	347	784
	1967	3,617	2,296	149	360	812
Med.	1968	3,751	2,382	154	373	842
	1969	3,890	2,470	160	387	873
	1970	4,031	2,559	166	401	905
	1966	3,523	2,237	145	350	791
	1967	3,684	2,339	151	366	828
High	1968	3,858	2,449	159	384	866
	1969	4,041	2,565	166	402	908
	1970	4,224	2,682	174	420	948

Health and Hospital Expenditure Projections

Hospital expenditures include the expenditures of the State Hospital, the Training School, and the Tuberculosis Sanitarium. Health expenditures are expenditures by the Board of Health for public health nursing, immunization, and other environmental and general health activities.

Table 34 shows total health and hospital expenditures from 1951 through 1965 and projections from 1966 through 1970.

According to the median projections, we might expect total health and hospital expenditures to be $15,326,000 in the 1965-1967 biennium and $16,284.000 in the 1967-1969 biennium or a growth of $958,000 between the two biennia.

TABLE 34

TOTAL HEALTH AND HOSPITAL EXPENDITURES
SINCE 1951 AND PROJECTIONS 1966 THROUGH 1970

Fiscal Year Ending	Health and Hospital Expenditures[a] (000)
1951	5,722
1952	5,210
1953	4,746
1954	4,331
1955	4,772
1956	5,020
1957	5,937
1958	6,727
1959	6,703
1960	6,762
1961	6,402
1962	6,088
1963	6,375
1964	7,104
1965	7,236

	Low	Median	High
1966	7,499	7,550	7,601
1967	7,665	7,776	7,880
1968	7,851	8,016	8,182
1969	8,031	8,268	8,504
1970	8,219	8,512	8,820

a. Source: Compendium of State Government Finances.

Health and Hospital Program Expenditure Projections

Since 1960 hospital expenditures have averaged about 86 percent of total health and hospital expenditures and health expenditures have averaged about 14 percent of the total. Projections of health expenditures and hospital expenditures to 1970 are shown in Table 35.

Hospital expenditures are expected to increase $981,000 from the 1963-1965 biennium to the 1965-1967 biennium and $823,000 from the 1965-1967 biennium to the 1967-1969 biennium, using the median projection as a guide.

Health expenditures are expected to increase about $30,000 per year according to the median projection.

General Fund Expenditures for Health and Hospitals

Hospital expenditures out of the General Fund were determined to be about 92 percent of total hospital expenditures. General Fund expenditures for health services were determined to be about 40 percent of total health expenditures.

TABLE 35

HOSPITAL AND HEALTH EXPENDITURE PROJECTIONS TO 1970

	Year	Total Health & Hospital (000)	Hospital Expenditures (000)	Health Expenditures (000)
	1966	7,499	6,443	1,056
	1967	7,665	6,586	1,079
Low	1968	7,851	6,746	1,105
	1969	8,031	6,900	1,131
	1970	8,219	7,062	1,157
	1966	7,550	6,487	1,063
	1967	7,776	6,681	1,095
Med.	1968	8,016	6,887	1,128
	1969	8,268	7,104	1,164
	1970	8,512	7,314	1,198
	1966	7,601	6,531	1,070
	1967	7,880	6,770	1,110
High	1968	8,182	7,030	1,152
	1969	8,504	7,306	1,197
	1970	8,820	7,578	1,242

Total General Fund expenditures for health and hospitals shown in Table 36 are about 85 percent of total expenditures for health and hospitals.

Total General Fund expenditures for health and hospitals are expected to increase $910,000 from the 1963-1965 biennium to the 1965-1967 biennium and $813,000 from the 1965-1967 biennium to the 1967-1969 biennium.

Projections of Miscellaneous General Expenditures and Employment Security Administration (E.S.A.) Expenditure

Miscellaneous expenditure includes expenditure for purposes and activities of State Government not falling within any standard functional category. In 1953 and 1959 substantial benefits to veterans were made. These payments were large in relation to the total expenditures in the miscellaneous expenditure category but not large enough to warrant separate treatment. As a result, the statistical analysis was unsatisfactory and therefore an alternative procedure was used.

TABLE 36

PROJECTED GENERAL FUND EXPENDITURES FOR
HEALTH AND HOSPITALS FROM 1966 THROUGH 1970

	Year	Total Health and Hospital (000)	General Fund Expenditures	
			Hospitals (000)	Health (000)
Low	1966	6,369	5,947	422
	1967	6,511	6,079	432
	1968	6,669	6,227	442
	1969	6.821	6,369	452
	1970	6,981	6,518	463
Med.	1966	6,413	5,988	425
	1967	6,605	6,167	438
	1968	6,808	6,357	451
	1969	7,023	6,557	466
	1970	7,230	6,751	479
High	1966	6,456	6,028	428
	1967	6,693	6,249	444
	1968	6,950	6,489	461
	1969	7,221	6,743	478
	1970	7,491	6,994	497

The procedure used in projecting miscellaneous and E.S.A. expenditures is that of using an average annual increase from 1951 through 1965. The average annual increase between 1951 and 1965 in miscellaneous expenditure was about 12 percent per year. The average annual increase in E.S.A. expenditure was about 6 percent. The projections are shown in Table 37.

These projections assume that miscellaneous expenditures will grow at about 12 percent, and E.S.A. expenditures will grow at about 6 percent, and that these growth rates are expected to continue until 1970.

None of the E.S.A. expenditures arise out of the General Fund.

TABLE 37

PROJECTIONS OF MISCELLANEOUS EXPENDITURE AND
EMPLOYMENT SECURITY ADMINISTRATION EXPENDITURE, 1966 THROUGH 1970

Fiscal Year Ending	Miscellaneous Expenditure[a] (000)	E.S.A. Expenditure[a] (000)
1951	1,891	921
1952	4,655	911
1953	20,642	985
1954	3,552	942
1955	4,350	1,021
1956	3.894	1,098
1957	4,203	1,207
1958	5,727	1,316
1959	8,999	1,452
1960	7,682	1,570
1961	7,597	1,718
1962	6,697	1,932
1963	7,472	2,123
1964	9,287	2,073
1965	10,006	2,194
1966	11,658[b]	2,328[b]
1967	13,062	2,467
1968	14,635	2,614
1969	16,397	2,770
1970	18,371	2,935

a. Source: Compendium of State Government Finances.

b. The projection procedure does not provide high, median and low alternatives.

General Fund Expenditure Projections for Miscellaneous Activities

About 23 percent of the total miscellaneous expenditures are from the General Fund. Based on that percentage, General Fund expenditure projections for miscellaneous activities are computed (see Table 38).

General Fund expenditure for miscellaneous activities was about $4,437,000 in the 1963-1965 biennium and is expected to be $5,685,000 and $7,137,000 in the 1965-1967 and 1967-1969 biennia, respectively.

TABLE 38

GENERAL FUND EXPENDITURE
PROJECTIONS FOR MISCELLANEOUS ACTIVITIES

Year	General Fund Miscellaneous Expenditure (000)
1966	2,681
1967	3,004
1968	3,366
1969	3,771
1970	4,308

Insurance Trust and Liquor Store Expenditure Projections

The insurance trust system includes the Unemployment Compensation Commission, the Public Employees Retirement System, and the Industrial Accident Board. Liquor Store expenditures include the costs of running the State liquor monopoly.

The average annual increase method was used to project expenditures of the insurance trust and liquor store activities. Total expenditures since 1951 and projections to 1970 for insurance trust and liquor stores are shown in Table 39.

Expenditures of the insurance trust system depend upon the number of unemployed (U.C.C.), the number of retired public employees (P.E.R.S.) and the number of accident claims made under the industrial accident law. Liquor Store expenditures depend in large part upon the amount of liquor they purchase for sale during the year.

The biennial increase in expenditures in these two categories is expected to be about $3 million.

General Fund is not involved in the expenditures of these two functional categories.

TABLE 39

PROJECTED EXPENDITURES OF THE INSURANCE TRUST SYSTEM PLUS THE STATE LIQUOR MONOPOLY

Year	Insurance Trust and Liquor Store Expenditures[a] (000)
1951	19,729
1952	17,309
1953	19,958
1954	21,068
1955	22,745
1956	23,554
1957	27,285
1958	31,131
1959	31,225
1960	32,493
1961	33,269
1962	31,657
1963	30,641
1964	31,634
1965	31,843
1966	32,875
1967	33,940
1968	35,097
1969	36,234
1970	37,408

a. Source: Compendium of State Government Finances.

Total and General Fund Expenditure, 1951 through 1969, on a Biennial Basis

During the past six biennia, total expenditures of the State of Montana increased $222,017,000 or an average increase per biennium of about $37 million. The median projection indicates that we might expect increases of $44,908,000 and $59,239,000, respectively, for the 1965-1967 and 1967-1969 biennia.

General Fund expenditures have increased $45,800,000 during the past six biennia or $7.64 million per biennia. We might expect, according to the median projection, General Fund expenditure to increase around $19,818,000 and $12,265,000, respectively, in the 1965-1967 and 1967-1969 biennia.

TABLE 40

TOTAL EXPENDITURE AND GENERAL FUND EXPENDITURE
ON A BIENNIAL BASIS FROM 1951 THROUGH 1965 AND
PROJECTIONS FOR THE 1965-1967 AND THE 1967-1969 BIENNIA

Biennia	Total Expenditures (000)	General Fund Expenditure (000)
1951-1953	204,656	42,626
1953-1955	198,668	39,973
1955-1957	239,102	49,571
1957-1959	298,843	65,064
1959-1961	328,038	74,408
1961-1963	353,542	74,757
1963-1965	426,673	88,466

	Projections					
	Low	Median	High	Low	Median	High
1965-1967	460,181	471,581	482,810	105,797	108,284	110,776
1967-1969	502,868	530,820	558,984	114,867	120,549	126,599

SUMMARY OF REVENUE AND EXPENDITURE PROJECTIONS FOR MONTANA STATE GOVERNMENT

The Problem

The primary purpose of this study is to determine the extent to which the revenue structure of the State will be able to provide revenue to meet the needs for government services implied by the expenditure structure. More specifically, the purpose is to provide an estimate of the revenue-expenditure position of the Montana General Fund at the end of the current biennium and in the 1967-1969 biennium. Legislators and officials of government will be thereby better enabled to evaluate the existing revenue and expenditure patterns and perhaps avoid the outcome indicated by the projections.

The Procedure

Personal income is an important determinant of both revenue and expenditure. As our incomes increase, we demand more government services. and since the tax base is more or less related to income, revenues grow as personal incomes grow. Because of the important relationships between revenue, expenditure, and income, income was used as a basis for projecting revenue and expenditure magnitudes. Montana per capita personal incomes for the years 1966 through 1970 were projected and these projections were used through certain statistical relationships between expenditure and revenue derived from historical data, to project revenues by source and expenditures by governmental function.

The Assumptions

There are several important assumptions inherent in the projections of revenues and expenditures. Assumptions common to both expenditure and revenue projections are:

(1) The U.S. economy will grow between 3.0 percent and 5.0 percent;

(2) The margin by which U.S. per capita personal income will exceed Montana's per capita personal income will increase about 1.5 percent per year; and

(3) Price level structural changes are of a similar nature as those from 1951 through 1965. The major assumption relevant to revenue and expenditure projections may be stated as follows. Revenue and expenditure projections assume that the changes which will occur in the revenue and expenditure structure from 1966 through 1970 will be the same as those changes that have occurred from 1951 through 1965.

The Projections

Two sets of projections are presented. Projections of total revenues and total expenditures and General Fund revenues and General Fund expenditures are presented separately.

Total revenues from all sources and total expenditures for all purposes since the 1951-1953 biennium and projections through the 1967-1969 biennium are shown in Table 41.

In only two biennia have total expenditures exceeded total revenues. In neither of the two biennia for which projections have been made do expenditures exceed revenues.

Over the past two biennia there has been an excess of total revenues over total expenditures. Projections indicate that we may expect a further growth in the amount by which total revenues exceed total expenditures. During the past two biennia intergovernmental revenues have grown rather rapidly. The growth in Federal-to-State payments has been primarily due to the interstate highway program. Public welfare payments and Federal grants to education also account for some of the increase in Federal-to-State payments.

TABLE 41

TOTAL REVENUE AND TOTAL EXPENDITURE
FROM THE 1951-1953 BIENNIUM THROUGH 1963-1965
BIENNIUM AND PROJECTIONS FOR THE 1965-1967 AND 1967-1969 BIENNIA

Biennia	Total Revenue (000)			Total Expenditures (000)			Difference[a] Revenue-Expenditures (000)		
1951-53	200,227			204,656			- 4,429		
1953-55	206,777			198,668			8,109		
1955-57	250,839			239,102			11,737		
1957-59	293,694			298,843			- 5,149		
1959-61	337,890			328,038			9,852		
1961-63	371,838			353,542			18,296		
1963-65	439,686			426,673			13,013		
	Low	Median	High	Low	Median	High	Low	Median	High
1965-67	470,579	489,772	508,956	460,181	471,581	482,810	10,398	18,191	26,146
1967-69	517,838	548,138	579,200	502,868	530,820	558,984	14,970	17,318	20,216

a. If the difference (revenue minus expenditure) is positive, there is a net increase in financial assets, whereas if the difference is negative, there is a net decrease in financial assets of the State Government.

If such increases continue into the future (to 1970) we may expect that there will be either a net debt reduction or a net increase in financial assets of the State of Montana Government of about $18,191,000 in the 1965-1967 biennium and $17,318,000 in the 1967-1969 biennium.

General Fund revenue and General Fund expenditure for the six biennia from 1951 through 1965 plus the projections for the 1965-1967 and 1967-1969 biennia appear in Table 42.

In every biennium since 1951-1953, except 1961-1963, General Fund expenditures have exceeded General Fund revenues. However, this does not imply a large deficit in the General Fund since in 1952 there was a $7.5 million balance. In 1960 the balance in the General Fund was -$4.9 billion. In 1965 the balance was $3.8 million, and in 1966 the balance was $1.4 million.

TABLE 42

GENERAL FUND REVENUE, GENERAL FUND EXPENDITURE
FROM THE 1951-1953 BIENNIUM THROUGH THE 1963-1965
BIENNIUM AND PROJECTIONS FOR THE 1965-1967 AND 1967-1969 BIENNIUM

Biennia	General Fund Revenue (000)	General Fund Expenditure (000)	Difference[a] (000)
1951-53	38,027	42,626	-4,599
1953-55	39,743	39,973	- 230
1955-57	47,982	49,571	-1,589
1957-59	60,257	65,064	-4,807
1959-61	72,851	74,408	-1,557
1961-63	81,460	74,757	6,703
1963-65	87,621	88,466	- 845

	Low	Median	High	Low	Median	High	Low	Median	High
1965-67	95,776	100,808	105,701	105,797	108,284	110,776	-10,021	-7,476	-5,075
1967-69	106,897	112,152	117,363	114,867	120,549	126,599	- 7,970	-8,397	-9,236

a. Note the negative difference does not necessarily mean a deficit if there is a beginning balance in the General Fund.

Throughout this paper the discussions of projected revenues and expenditures have centered around median projections. For the current biennium, however, it is necessary to consider the specific conditions surrounding the revenue-expenditure situation. In the 1965 legislative assembly appropriations for various functions of State government were determined. Since July 1, 1965 we have had some unusual revenue experience.

It appears reasonable, in light of the circumstances surrounding the revenue-expenditure situation in the current biennium (1965-1967), to accept the high revenue projection and the low expenditure projection. Since July of 1965 we have experienced a rate of economic growth nationally of very close to 5 percent. This implies the high revenue projection.

When the appropriations were made by the legislature, recent experience and advice suggested to them a low rate of growth in revenue. Their appropriations were made on that basis. Hence, the low projections are implied for expenditures.

On this basis we may expect that revenues will be very close to expenditures at the end of the current biennium. However, a significant increase in the Federal Income Tax on personal incomes could reduce revenue somewhat in the 1966-1967 fiscal year.

In the 1967-1969 biennium we might expect the General Fund balance to decline from $8.0 million to $9.2 million if there are no major revisions in the General Fund revenue-expenditure structure. The 1967-1969 projections assume that the existing income tax and corporate license tax rates as well as the two-mill property tax levy will continue through 1969. If the new income tax and corporate license tax rates are allowed to expire and the two-mill levy is discontinued in the next biennium we may expect the General Fund balance to decline by an additional $8.4 million. Thus, if the new rates on the personal income tax and the corporate license tax are discontinued and the two-mill levy is not used we could expect a General Fund deficit of from $16.4 million to $17.6 million in the coming biennium.

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